

ELK MOUNTAIN SCHOOL DISTRICT NO. 16-2

CUSTER COUNTY, SOUTH DAKOTA

FINANCIAL REPORT

FOR THE TWO FISCAL YEARS ENDING JUNE 30, 2020

WITH INDEPENDENT AUDITOR'S REPORTS

**INDEPENDENT AUDIT SERVICES, P.C.**

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Benjamin Elliott, CPA  
P.O. Box 262  
Madison, South Dakota 57042

ELK MOUNTAIN SCHOOL DISTRICT NO. 16-2  
CUSTER COUNTY, SOUTH DAKOTA

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AS OF AND FOR THE TWO FISCAL YEARS ENDING JUNE 30, 2020

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NOTE: All figures shown in this financial report are in U.S. dollars.  
For space considerations, the "\$" symbol is not used.

# INDEPENDENT AUDIT SERVICES, PC

Benjamin Elliott, CPA  
P.O. Box 262,  
Madison, South Dakota 57042  
605.270.3020

School Board  
Elk Mountain School District No. 16-2  
Custer County, South Dakota

## INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of governmental activities, business-type activities and each major fund of the Elk Mountain School District No. 16-2 (School District), Custer County, South Dakota as of June 30, 2020 and for each of the years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America - this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I obtained is sufficient and appropriate to provide a basis for my unmodified audit opinions on governmental activities, business-type activities and each major fund.

### Unmodified Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund the Elk Mountain School District, Custer County, South Dakota, as of June 30, 2020, and the respective changes in its financial position and, where applicable, cash flows thereof for each of the fiscal years in the biennial period then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information (no opinion)

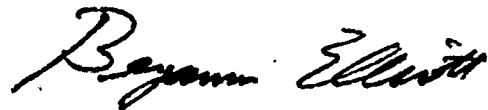
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis (page 3 to 8), budgetary comparison schedules (page 37 to 41), and pension schedules (page 42 and 43) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting by placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the formation and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report (page 44) dated December 7, 2021 on my tests of Elk Mountain School District's compliance with certain provisions of laws, regulations, contracts and other matters and my consideration of its internal control over financial reporting. The purpose of that report is to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on compliance or internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's compliance and internal control over financial reporting.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

December 7, 2021

A handwritten signature in black ink that reads "Benjamin Elliott". The signature is written in a cursive style with a large, stylized "B" and "E".

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

This section of the Elk Mountain School District No. 16-2's (School District) annual financial report presents our discussion and analysis of the School District's financial performance during the two fiscal years ending June 30, 2020. Please read it in conjunction with the School District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Financial highlights for the Elk Mountain School District are as follows:

For the year ending:

|                                     | 6-30-2020 | 6-30-2019 |
|-------------------------------------|-----------|-----------|
| Revenue:                            |           |           |
| Charges for goods and services      | 0         | 0         |
| Operating grants                    | 0         | 32,691    |
| Capital grants                      | 0         | 0         |
| General revenue                     | 383,374   | 379,337   |
|                                     | -----     | -----     |
| Total                               | 383,374   | 412,028   |
|                                     | -----     | -----     |
| Expenses:                           |           |           |
| Governmental                        | 419,847   | 392,656   |
| Business-type                       | 0         | 0         |
|                                     | -----     | -----     |
| Total                               | 419,847   | 392,656   |
|                                     | -----     | -----     |
| Increase (decrease) in Net Position | (36,473)  | 19,372    |
| Net Position:                       |           |           |
| July 1, 2018                        |           | 985,581   |
|                                     |           | -----     |
| June 30, 2019                       | 1,004,953 | 1,004,953 |
|                                     | -----     | =====     |
| June 30, 2020                       | 968,480   |           |
|                                     | =====     |           |
| Governmental Funds:                 |           |           |
| General                             | 374,199   | 413,409   |
| Capital Outlay                      | 24,490    | 24,229    |
| Special Education                   | 81,479    | 57,819    |
| Accrued leave                       | (1,260)   | (896)     |
| Capital Assets                      | 489,541   | 510,361   |
| Business-Type Funds:                |           |           |
| Food Service                        | 31        | 31        |
|                                     | -----     | -----     |
| Total                               | 968,480   | 1,004,953 |
|                                     | =====     | =====     |

During the year ending June 30, 2020 the School District:

- \* Received \$220,865 in property taxes.
- \* Received \$ 71,906 in utility taxes.
- \* Received \$ 80,637 from the federal government for various programs.

During the year ending June 30, 2019 the School District:

- \* Received \$219,560 in property taxes.
- \* Received \$ 67,887 in utility taxes.
- \* Received \$ 85,715 from the federal government for various programs.
- \* Received \$ 32,691 from the federal government through the Small Rural School Achievement program.

## BRIEF DISCUSSION OF THE BASIC FINANCIAL STATEMENTS

This financial report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement-34.

The financial report consists of three parts: (1) management's discussion and analysis (page 3 to 8), (2) the basic financial statements (page 9 to 36) and (3) required supplementary information (page 37 to 43). The basic financial statements include two types of statements that present the School District from two different financial points of view.

### Government-wide financial statements (View #1):

The first two statements are government-wide financial statements that provide both long-term and short-term information about the School District's overall financial status.

### Fund financial statements (View #2):

The remaining financial statements are fund financial statements that focus on significant operations of the governmental, enterprise, and fiduciary activities of the School District.

The governmental fund financial statements tell how general governmental services were financed in the short-term, as well as what remains for future spending. Governmental funds operated by the School District are the general fund, capital outlay fund, and special education fund.

The enterprise fund financial statements offer short-term and long-term financial information about the activities of the School District that operate like a business. The enterprise fund operated by the School District is the food service fund.

The financial statements include notes that explain in more detail some of the information found in the financial statements. The financial statements are also followed by a section of required supplementary information that presents a budgetary analysis for the general fund and major special revenue funds and pension information.

### Required Supplementary Information:

Management's Discussion and Analysis (3 to 8), budgetary comparison schedules (page 37 to 41), and pension schedules (page 42 and 43) is financial information required to be presented by GASB. Such information provides readers of this report with additional data that supplements the government-wide statements and fund financial statements. The budgetary comparison schedules are presented on a budgetary basis of accounting, which reports capital expenditures within their respective expenditure function rather than as a separate capital outlay expenditure.

Here is an overview of the School District's financial statements.

|                   |      |                 |
|-------------------|------|-----------------|
| Management's      |      | Government-wide |
| Discussion and    |      |                 |
| Analysis          | ---> | Financial       |
|                   |      | Statements      |
| Basic Financial   |      | Fund            |
| Statements -----> | ---> | Financial       |
|                   |      | Statements      |
|                   |      |                 |
| Required          |      | Notes to the    |
| Supplementary     | ---> | Financial       |
| Information       |      | Statements      |
| (other than MD&A) |      |                 |

Here is a summary of the major features of these financial statement.

|   | Government-wide<br>Statements                              | Fund Statements-----   |  |  |
|---|--|--|--|--|
|   |  | Governmental<br>Funds  | Enterprise<br>Funds  | Fiduciary<br>Funds<br>(if any)   |
| Scope   | Entire School<br>(except<br>fiduciary funds)               | School Activities<br>except Enterprise<br>(food service) and<br>Fiduciary (student<br>organizations)               | Activities operated<br>like a private<br>business<br>(food service)  | School's<br>custody of<br>money that<br>belongs to<br>others           |
| Required<br>Financial<br>Statements                   | Statement of<br>Net Position                               | Balance Sheet  | Statement of<br>Net Position   | Statement of<br>Fiduciary<br>Net Position                              |
|   | Statement of<br>Activities                                 | Statement of<br>Revenues, Expen-<br>ditures and<br>Changes in Fund<br>Balances                                     | Statement of<br>Revenues, Expenses<br>and Changes in<br>Net Position | Statement of<br>Changes in<br>Fiduciary<br>Net Position                |
|   |  |  | Statement of<br>Cash Flows   |  |
|   |  |  |  |  |
| Basis of<br>Accounting                                | Accrual  | Modified<br>accrual  | Accrual  | Accrual  |
| Measurement<br>Focus                                  | Economic<br>resources                                      | Current financial<br>resources   | Economic<br>resources  | Economic<br>resources  |
| Types of<br>Assets &<br>Liabilities                   | All -<br>Financial and<br>capital, short-<br>and long-term | Only current<br>financial assets<br>and liabilities  | All -<br>Financial and<br>capital, short-<br>and long-term           | All -<br>Financial and<br>capital (if<br>any), short-<br>and long-term |
|   |  | No capital assets  |  |  |
| Types of<br>Revenue and<br>Expenditures<br>or Expense | All -<br>Regardless of<br>when cash is<br>received         | Revenues when cash<br>is received during<br>year or within 60<br>days of year-end                                  | All -<br>Regardless of<br>when cash is<br>received                   | All -<br>Regardless of<br>when cash is<br>received                     |
|   |  | Expenditures when<br>goods or services are<br>received and payment<br>is due during year<br>or soon after year-end |  |  |
|   |  |  |  |  |

#### GOVERNMENT-WIDE STATEMENTS

(Reporting the School District as a whole)

The government-wide statements (page 9 to 11) report information about the School District as a whole using accounting methods similar to those used for private companies. There are two government-wide statements: the Statement of Net Position and the Statement of Activities.

The Statement of Net Position includes all of the government's assets and liabilities. Net position is the difference between assets and liabilities. Changes in these accounts is one way to measure the school's financial health. Increases or decreases in net position measures improvements or declines in the school's financial health. To assess the school's overall financial health you also need to consider other factors such as changes in the student enrollment, property tax base and/or changes in federal and state grants and aid.

The Statement of Activities includes all of the year's revenues and expenses. You will notice that expenses are listed in the first column by program. Revenues related each program are reported to the right of the expense. The result is a net revenue/expense for each program. After listing program activity, general receipts of the school are listed, which include all taxes and interest earned.

The government-wide financial statements have two broad categories of information: governmental activity and business-type activity.

The governmental activities include (1) basic instructional services such as elementary, high school, and special education programs, (2) support services such as guidance, library, administration, and transportation, and (3) extra-curricular activities such as sports and music. Property taxes, state and federal grants, and interest earnings finance most of these activities.

The business-type activities account for the School District's food service lunch program. These programs are funded in part by user fees and in part by state and federal grants (if any).

#### FUND FINANCIAL STATEMENTS

(Reporting the School District's most significant funds)

The fund financial statements (page 12 to 18) provide more detailed information about the School District's most significant funds, not the School District as a whole. Funds are accounting tools used to keep track of the receipt and disbursement of School District's resources. State law requires the use of some funds and the school board establishes other funds to manage money for a specific purpose, like a capital project fund for a new building.

The fund financial statements show information in three broad categories: governmental, enterprise (business-type), and fiduciary (if any).

Governmental funds: Most of the School District's basic services are included in the governmental funds, which focus on (1) how cash, and other financial assets which can readily be converted into cash, flow in and out of that fund, and (2) the balances left at year-end that are available for spending in the next year. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources available for spending in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements to reconcile the differences between the governmental fund statements and the government-wide statements.

Enterprise fund: Services for which the School District charges the customer a fee are generally reported in enterprise funds. Enterprise funds, like the government-wide statements, provide both short-term and a long-term financial information. The food service fund is the only enterprise fund maintained by the School District.

#### MATERIAL CHANGES IN STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

(Material changes for governmental activities = changes greater than \$50,000)  
(Material changes for business-type activities = changes greater than \$ 5,000)

|                                  | Increase<br>(Decrease) | Reason                          |
|----------------------------------|------------------------|---------------------------------|
| <u>Year Ending June 30, 2020</u> |                        |                                 |
| Governmental Activities:         |                        |                                 |
| None to report                   |                        |                                 |
| Business-type Activities:        |                        |                                 |
| None to report                   |                        |                                 |
| <u>Year Ending June 30, 2019</u> |                        |                                 |
| Governmental Activities:         |                        |                                 |
| Current assets                   | 58,000                 | Increase in SPED property taxes |
| Pension related activity         | 55,000                 | SDRS pension activity           |
| Business-type Activities:        |                        |                                 |
| None to report                   |                        |                                 |

## SIGNIFICANT VARIATIONS BETWEEN ORIGINAL AND FINAL GENERAL FUND BUDGET

The School District's general fund budget for FY20 is \$330,233, which is an increase of \$9,500 or 2.96% from FY19. There were no supplemental appropriations to the general fund budget. See page 37 for more information.

The School District's general fund budget for FY19 is \$320,733, which is a decrease of \$3,019 or 0.93% from FY18. There were no supplemental appropriations to the general fund budget. See page 38 for more information.

## SIGNIFICANT CAPITAL ASSET ACTIVITY

There was no significant capital asset activity in FY19 or FY20. At June 30, 2020, the School District had invested \$489,541 in a broad range of capital assets, including land, buildings, improvements, equipment and intangibles. This amount represents a net decrease (including additions and deductions) of \$41,639 or 7.84% from June 30, 2018. See page 36 for more information.

## SIGNIFICANT LONG-TERM DEBT ACTIVITY

The School District's accrued sick leave is \$1,260.

## CURRENTLY KNOWN FACTS

The School District is in discussion with Custer County on the possible development of a water well on school property.

The School District expects to receive approximately \$60,000 of railroad utility tax money in FY21 and subsequent years.

Student enrollment for the past several years is:

|          |           |           |
|----------|-----------|-----------|
| FY12 - 8 | FY15 - 9  | FY18 - 14 |
| FY13 - 8 | FY16 - 12 | FY19 - 16 |
| FY14 - 5 | FY17 - 15 | FY20 - 17 |

## CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the School District's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional information, contact the Elk Mountain School District's business office at 10222 Valley Road, Dewey, SD 57735.

TABLE 1 - NET POSITION  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 AS OF JUNE 30, 2020, JUNE 30, 2019, AND JUNE 30, 2018

|                          | Governmental Activities |       |       | Business-Type Activities |      |      | Total Government |       |       |
|--------------------------|-------------------------|-------|-------|--------------------------|------|------|------------------|-------|-------|
|                          | FY20                    | FY19  | FY18  | FY20                     | FY19 | FY18 | FY20             | FY19  | FY18  |
| Current assets           | 760                     | 728   | 670   | 0                        | 0    | 0    | 760              | 728   | 670   |
| Capital assets           | 490                     | 510   | 531   |                          |      |      | 490              | 510   | 531   |
| Other assets             | 1                       |       | 1     |                          |      |      | 1                | 0     | 1     |
| Deferred outflows        | 52                      | 69    | 79    |                          |      |      | 52               | 69    | 79    |
| Total assets & outflows  | 1,303                   | 1,307 | 1,281 | 0                        | 0    | 0    | 1,303            | 1,307 | 1,281 |
| Current liabilities      | 27                      | 25    | 22    |                          |      |      | 27               | 25    | 22    |
| Deferred inflows         | 308                     | 278   | 274   |                          |      |      | 308              | 278   | 274   |
| Total liabilities & inf. | 335                     | 303   | 296   | 0                        | 0    | 0    | 335              | 303   | 296   |
| Net position:            |                         |       |       |                          |      |      |                  |       |       |
| Capital, net of debt     | 490                     | 510   | 531   |                          |      |      | 490              | 510   | 531   |
| Restricted               | 140                     | 133   | 114   |                          |      |      | 140              | 133   | 114   |
| Unrestricted             | 338                     | 361   | 340   | 0                        | 0    | 0    | 338              | 361   | 340   |
| Total net position       | 968                     | 1,004 | 985   | 0                        | 0    | 0    | 968              | 1,004 | 985   |

TABLE 2 - CHANGES IN NET POSITION  
 BASED ON GOVERNMENT-WIDE FINANCIAL STATEMENTS  
 FOR THE YEARS ENDING JUNE 30, 2020, JUNE 30, 2019, AND JUNE 30, 2018

|                                     | Governmental Activities |       |      | Business-Type Activities |      |      | Total Government |       |      |
|-------------------------------------|-------------------------|-------|------|--------------------------|------|------|------------------|-------|------|
|                                     | FY20                    | FY19  | FY18 | FY20                     | FY19 | FY18 | FY20             | FY19  | FY18 |
| Revenues:                           |                         |       |      |                          |      |      |                  |       |      |
| Program revenues:                   |                         |       |      |                          |      |      |                  |       |      |
| Charges for services                |                         |       | 1    |                          |      |      | 0                | 0     | 1    |
| Grants and contributions            |                         | 33    | 32   |                          |      |      | 0                | 33    | 32   |
| General revenues:                   |                         |       |      |                          |      |      |                  |       |      |
| All taxes                           | 293                     | 287   | 299  |                          |      |      | 293              | 287   | 299  |
| Federal sources                     | 80                      | 86    | 95   |                          |      |      | 80               | 86    | 95   |
| State sources                       | 2                       | 2     | 1    |                          |      |      | 2                | 2     | 1    |
| County sources                      | 1                       | 1     | 1    |                          |      |      | 1                | 1     | 1    |
| Interest earnings                   | 1                       | 1     | 1    |                          |      |      | 1                | 1     | 1    |
| Other                               | 6                       | 2     | 1    |                          |      |      | 6                | 2     | 1    |
| Total revenues                      | 383                     | 412   | 431  | 0                        | 0    | 0    | 383              | 412   | 431  |
| Expenses:                           |                         |       |      |                          |      |      |                  |       |      |
| Instruction                         | 235                     | 210   | 199  |                          |      |      | 235              | 210   | 199  |
| Support                             | 168                     | 168   | 175  |                          |      |      | 168              | 168   | 175  |
| Food service                        |                         |       |      |                          |      |      | 0                | 0     | 0    |
| Pension related                     | 16                      | 15    | (40) |                          |      |      | 16               | 15    | (40) |
| Total expenses                      | 419                     | 393   | 334  | 0                        | 0    | 0    | 419              | 393   | 334  |
| Increase (decrease) in net position | (36)                    | 19    | 97   | 0                        | 0    | 0    | (36)             | 19    | 97   |
| Other financing sources (uses):     |                         |       |      |                          |      |      |                  |       |      |
| Loss on sale of surplus property    |                         |       |      |                          |      |      | 0                | 0     | 0    |
| Net change in net posit:            | (36)                    | 19    | 97   | 0                        | 0    | 0    | (36)             | 19    | 97   |
| Net position:                       |                         |       |      |                          |      |      |                  |       |      |
| June 30, 2017                       |                         |       | 888  |                          |      | 0    |                  |       | 888  |
| June 30, 2018                       |                         | 985   | 985  |                          | 0    | 0    |                  | 985   | 985  |
| June 30, 2019                       | 1,004                   | 1,004 |      | 0                        | 0    |      | 1,004            | 1,004 |      |
| June 30, 2020                       | 968                     |       |      | 0                        |      |      | 968              |       |      |

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF NET POSITION  
AS OF JUNE 30, 2020

|  | Primary Government |            |                  |
|--|--------------------|------------|------------------|
|  | Governmental       | Business-  |                  |
|  | Activities         | Type       | Total            |
|  | Activities         | Activities |                  |
| <b>Assets:</b>   |                    |            |                  |
| <b>Current assets:</b>                                 |                    |            |                  |
| Cash and cash equivalents                              | 393,445            | 31         | 393,476          |
| Certificates of Deposit                                | 62,542             |            | 62,542           |
| Receivables:   |                    |            |                  |
| Property taxes - current                               | 289,175            |            | 289,175          |
| Property taxes - delinquent                            | 9,883              |            | 9,883            |
| Due from other governments                             | 5,459              |            | 5,459            |
| <b>Total current assets</b>                            | <b>760,504</b>     | <b>31</b>  | <b>760,535</b>   |
| <b>Capital assets:</b>                                 |                    |            |                  |
| Land   | 5,400              |            | 5,400            |
| Buildings  | 559,967            |            | 559,967          |
| Equipment  | 64,245             |            | 64,245           |
| Accumulated depreciation                               | (182,571)          |            | (182,571)        |
| Intangible fiber optics rights,<br>net of amortization | 42,500             |            | 42,500           |
| <b>Total capital assets</b>                            | <b>489,541</b>     | <b>0</b>   | <b>489,541</b>   |
| <b>Other assets:</b>                                   |                    |            |                  |
| Net pension assets                                     | 938                |            | 938              |
| <b>Total assets</b>                                    | <b>1,250,983</b>   | <b>31</b>  | <b>1,251,014</b> |
| <b>DEFERRED OUTFLOW OF RESOURCES</b>                   |                    |            |                  |
| Pension related deferred outflows                      | 52,489             |            | 52,489           |
|  | 52,489             | 0          | 52,489           |
| <b>Liabilities:</b>                                    |                    |            |                  |
| <b>Current liabilities:</b>                            |                    |            |                  |
| Accounts payable                                       | 0                  |            | 0                |
| Contracts payable                                      | 15,742             |            | 15,742           |
| Payroll deductions payable                             | 9,741              |            | 9,741            |
| Noncurrent liabilities due in one year:                |                    |            |                  |
| Accrued leave  | 1,260              |            | 1,260            |
| <b>Total liabilities</b>                               | <b>26,743</b>      | <b>0</b>   | <b>26,743</b>    |
| <b>Deferred Inflows of Resources:</b>                  |                    |            |                  |
| Taxes levied for future period                         | 289,175            |            | 289,175          |
| Pension related deferred inflows                       | 19,105             |            | 19,105           |
| <b>Total deferred inflows of resources</b>             | <b>308,280</b>     | <b>0</b>   | <b>308,280</b>   |
| <b>Net position:</b>                                   |                    |            |                  |
| Net invested in capital assets                         | 489,541            |            | 489,541          |
| Restricted for:  |                    |            |                  |
| Capital outlay   | 24,490             |            | 24,490           |
| Special education                                      | 81,479             |            | 81,479           |
| Pension - SDRS   | 34,322             |            | 34,322           |
| Unrestricted   | 338,617            | 31         | 338,648          |
| <b>Total net position</b>                              | <b>968,449</b>     | <b>31</b>  | <b>968,480</b>   |

See accompanying notes.

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDING JUNE 30, 2020

| Functions/Programs:                 | Program Revenues |   |  | Net Revenue (Expense) and<br>Changes in Net Position |                            |                             |
|-------------------------------------|------------------|---|--|--|----------------------------|-----------------------------|
|                                     | Expenses         | Charges for<br>Services and<br>Reimbursements | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions               | Governmental<br>Activities | Business-type<br>Activities |
| Primary government:                 |                  |   |  |  |                            |                             |
| Governmental activities:            |                  |   |  |  |                            |                             |
| Instruction                         | 243,388          |   |  |  | (243,388)                  |                             |
| Support services                    | 176,459          |   |  |  | (176,459)                  |                             |
| Total governmental activities       | 419,847          | 0   | 0  | 0  | (419,847)                  | 0                           |
| Business-type activities:           |                  |   |  |  |                            |                             |
| Food service                        | 0                |   |  |  |                            | 0                           |
| Total primary government            | 419,847          | 0   | 0  | 0  | (419,847)                  | 0                           |
| General revenue:                    |                  |   |  |  |                            |                             |
| Property taxes                      |                  |   |  |  | 220,865                    | 220,865                     |
| Gross receipts tax                  |                  |   |  |  | 71,906                     | 71,906                      |
| Revenue from federal sources        |                  |   |  |  | 80,637                     | 80,637                      |
| Revenue from state sources:         |                  |   |  |  |                            |                             |
| State apportionment                 |                  |   |  |  | 1,193                      | 1,193                       |
| Other                               |                  |   |  |  | 428                        | 428                         |
| Revenue from county sources         |                  |   |  |  | 1,031                      | 1,031                       |
| Interest earnings                   |                  |   |  |  | 999                        | 999                         |
| Other general revenues              |                  |   |  |  | 6,315                      | 6,315                       |
| Total general revenue and transfers |                  |   |  |  | 383,374                    | 383,374                     |
| Change in net position              |                  |   |  |  | (36,473)                   | 0                           |
| Net position, July 1, 2019          |                  |   |  |  | 1,004,922                  | 31                          |
| Net position, June 30, 2020         |                  |   |  |  | 968,449                    | 31                          |

See accompanying notes.

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDING JUNE 30, 2019

| Functions/Programs:                 | Expenses | Program Revenues                              |  |  | Net Revenue (Expense) and<br>Changes in Net Position |                             |           |
|-------------------------------------|----------|---|--|--|--|-----------------------------|-----------|
|                                     |          | Charges for<br>Services and<br>Reimbursements | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-type<br>Activities | Totals    |
| Primary government:                 |          |   |  |  |  |                             |           |
| Governmental activities:            |          |   |  |  |  |                             |           |
| Instruction                         | 217,972  |   | 16,346                                   |  | (201,626)  |                             | (201,626) |
| Support services                    | 174,684  |   | 16,345                                   |  | (158,339)  |                             | (158,339) |
| Total governmental activities       | 392,656  | 0   | 32,691                                   | 0                                      | (359,965)  | 0                           | (359,965) |
| Business-type activities:           |          |   |  |  |  |                             |           |
| Food service                        | 0        |   |  |  |  | 0                           | 0         |
| Total primary government            | 392,656  | 0   | 32,691                                   | 0                                      | (359,965)  | 0                           | (359,965) |
| General revenue:                    |          |   |  |  |  |                             |           |
| Property taxes                      |          |   |  |  | 219,560  |                             | 219,560   |
| Gross receipts tax                  |          |   |  |  | 67,887   |                             | 67,887    |
| Revenue from federal sources        |          |   |  |  | 85,715   |                             | 85,715    |
| Revenue from state sources:         |          |   |  |  |  |                             |           |
| State apportionment                 |          |   |  |  | 1,415  |                             | 1,415     |
| Other                               |          |   |  |  | 317  |                             | 317       |
| Revenue from county sources         |          |   |  |  | 779  |                             | 779       |
| Interest earnings                   |          |   |  |  | 1,494  |                             | 1,494     |
| Other general revenues              |          |   |  |  | 2,170  |                             | 2,170     |
| Total general revenue and transfers |          |   |  |  | 379,337  | 0                           | 379,337   |
| Change in net position              |          |   |  |  | 19,372   | 0                           | 19,372    |
| Net position, July 1, 2018          |          |   |  |  | 985,550  | 31                          | 985,581   |
| Net position, June 30, 2019         |          |   |  |  | 1,004,922  | 31                          | 1,004,953 |

See accompanying notes.

## ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

BALANCE SHEET -- GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2020

|  | General<br>Fund | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Total<br>Governmental<br>Funds |
|--|-----------------|---------------------------|------------------------------|--------------------------------|
| <b>Assets:</b>   |                 |                           |                              |                                |
| Cash and cash equivalents  | 307,690         | 22,215                    | 63,540                       | 393,445                        |
| Certificates of deposit  | 34,715          | 6,212                     | 21,615                       | 62,542                         |
| Receivables:   |                 |                           |                              |                                |
| Property taxes - current   | 191,475         | 30,400                    | 67,300                       | 289,175                        |
| Property taxes - delinquent  | 15,007          | (3,937)                   | (1,187)                      | 9,883                          |
| Due from other governments   | 5,459           |                           |                              | 5,459                          |
| <b>Total assets</b>  | <b>554,346</b>  | <b>54,890</b>             | <b>151,268</b>               | <b>760,504</b>                 |
| <b>Liabilities:</b>  |                 |                           |                              |                                |
| Accounts payable   | 0               |                           |                              | 0                              |
| Contracts payable  | 12,942          |                           | 2,800                        | 15,742                         |
| Payroll deductions payable   | 10,052          |                           | (311)                        | 9,741                          |
| <b>Total liabilities</b>   | <b>22,994</b>   | <b>0</b>                  | <b>2,489</b>                 | <b>25,483</b>                  |
| <b>Deferred Inflows of Resources:</b>  |                 |                           |                              |                                |
| Taxes levied for future period   | 191,475         | 30,400                    | 67,300                       | 289,175                        |
| Unavailable revenue:   |                 |                           |                              |                                |
| Property taxes - delinquent  | 15,007          | (3,937)                   | (1,187)                      | 9,883                          |
| <b>Total deferred inflows of resources</b>   | <b>206,482</b>  | <b>26,463</b>             | <b>66,113</b>                | <b>299,058</b>                 |
| <b>Fund Balances (Deficit):</b>  |                 |                           |                              |                                |
| Nonspendable   |                 |                           |                              | 0                              |
| Restricted   |                 | 28,427                    | 82,666                       | 111,093                        |
| Committed  |                 |                           |                              | 0                              |
| Assigned   |                 |                           |                              | 0                              |
| Unassigned   | 324,870         |                           |                              | 324,870                        |
| <b>Total fund balance</b>  | <b>324,870</b>  | <b>28,427</b>             | <b>82,666</b>                | <b>435,963</b>                 |
| <b>Total liabilities, deferred inflow<br/>of resources and fund balance</b>  | <b>554,346</b>  | <b>54,890</b>             | <b>151,268</b>               | <b>760,504</b>                 |
| Reconciliation of the above balance sheet - governmental funds<br>to the government-wide statement of net position.  |                 |                           |                              |                                |
| Total fund balance - governmental funds (above)  |                 |                           |                              | 435,963                        |
| Amounts reported in the government-wide statement of net<br>position are different because:  |                 |                           |                              |                                |
| Capital assets used in governmental activities are not financial<br>resources and therefore not reported as assets in governmental<br>funds. Therefore: Add the cost of capital assets |                 |                           |                              | 679,612                        |
| Subtract accumulated depreciation  |                 |                           |                              | (182,571)                      |
| Subtract accumulated amortization  |                 |                           |                              | (7,500)                        |
| Long-term liabilities are not due and payable in the current<br>period. Therefore, subtract the accrued leave liability:   |                 |                           |                              | (1,260)                        |
| Assets such as taxes receivable (delinquent) are not available<br>to pay of current period expenditures and therefore are deferred<br>in the funds.                                    |                 |                           |                              | 9,883                          |
| These pension related amounts are not an available financial<br>resource and therefore are not reported in the funds.  |                 |                           |                              |                                |
| Net pension assets   |                 |                           |                              | 938                            |
| Deferred outflow of resources  |                 |                           |                              | 52,489                         |
| Deferred inflow of resources   |                 |                           |                              | (19,105)                       |
| <b>Total net position on government-wide statement of net position</b>   |                 |                           |                              | <b>968,449</b>                 |

See accompanying notes.

## ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE ONE YEAR ENDING JUNE 30, 2020

|   | General<br>Fund | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Total<br>Governmental<br>Funds |
|---|-----------------|---------------------------|------------------------------|--------------------------------|
| Revenue:  |                 |                           |                              |                                |
| Revenue from local sources:                     |                 |                           |                              |                                |
| Taxes:  |                 |                           |                              |                                |
| Ad valorem taxes                                | 127,404         | 23,424                    | 58,439                       | 209,267                        |
| Prior year ad valorem taxes                     | 4,381           | 641                       | 986                          | 6,008                          |
| Gross receipts                                  | 54,225          | 5,011                     | 12,670                       | 71,906                         |
| Penalties and interest                          | 1,976           | 255                       | 362                          | 2,593                          |
| Interest earned                                 | 787             | 20                        | 192                          | 999                            |
| Other revenue from local sources:               |                 |                           |                              |                                |
| Other   | 6,315           |                           |                              | 6,315                          |
| Total revenue from local sources                | 195,088         | 29,351                    | 72,649                       | 297,088                        |
| Revenue from intermediate sources:              |                 |                           |                              |                                |
| County sources:                                 |                 |                           |                              |                                |
| County fines apportionment                      | 1,030           |                           |                              | 1,030                          |
| Revenue from state sources:                     |                 |                           |                              |                                |
| Unrestricted grants-in-aid                      | 1,621           |                           |                              | 1,621                          |
| Revenue from federal sources:                   |                 |                           |                              |                                |
| Unrestricted grants-in-aid                      | 80,637          |                           |                              | 80,637                         |
| Restricted grants-in-aid                        |                 |                           |                              | 0                              |
| Total revenues                                  | 278,376         | 29,351                    | 72,649                       | 380,376                        |
| Expenditures:                                   |                 |                           |                              |                                |
| Instruction:                                    |                 |                           |                              |                                |
| Regular programs:                               |                 |                           |                              |                                |
| Elementary school                               | 127,789         |                           |                              | 127,789                        |
| Summer school                                   | 0               |                           |                              | 0                              |
| High school                                     | 42,719          | 6,837                     |                              | 49,556                         |
| Preschool                                       | 6,283           |                           |                              | 6,283                          |
| Special programs:                               |                 |                           |                              |                                |
| Programs for special educ.                      |                 |                           | 42,157                       | 42,157                         |
| Educ. deprived (Title I)                        |                 |                           |                              | 0                              |
| Total instruction                               | 176,791         | 6,837                     | 42,157                       | 225,785                        |
| Support services:                               |                 |                           |                              |                                |
| Pupils:   |                 |                           |                              |                                |
| Guidance  | 6,792           |                           | 4,343                        | 11,135                         |
| Health  |                 |                           | 810                          | 810                            |
| Special education                               |                 |                           | 154                          | 154                            |
| Instruction:                                    |                 |                           |                              |                                |
| Improvement of instruction                      | 28,104          |                           |                              | 28,104                         |
| Technology coordinator                          | 1,125           |                           |                              | 1,125                          |
| General administration:                         |                 |                           |                              |                                |
| Board of Education                              | 15,066          | 15,344                    |                              | 30,410                         |
| Executive administration                        | 14,439          |                           |                              | 14,439                         |
| Business:                                       |                 |                           |                              |                                |
| Fiscal services                                 | 41,221          |                           |                              | 41,221                         |
| Facility acquisition                            |                 |                           |                              | 0                              |
| Operations and maintenance                      | 24,785          | 2,170                     |                              | 26,955                         |
| Milage to parents                               | 1,006           |                           |                              | 1,006                          |
| Other pupil transportation                      | 675             |                           |                              | 675                            |
| Total support services                          | 133,213         | 17,514                    | 5,307                        | 156,034                        |
| Capital outlay:                                 |                 |                           |                              | 0                              |
| Total expenditures                              | 310,004         | 24,351                    | 47,464                       | 381,819                        |
| Excess of revenues<br>over (under) expenditures | (31,628)        | 5,000                     | 25,185                       | (1,443)                        |

(continued)

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE ONE YEAR ENDING JUNE 30, 2020

|  | General<br>Fund | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Total<br>Governmental<br>Funds |
|--|-----------------|---------------------------|------------------------------|--------------------------------|
|  | -----           | -----                     | -----                        | -----                          |
| Other financing sources (uses):  |                 |                           |                              |                                |
| None   |                 |                           |                              | 0                              |
| Net change in fund balance   | (31,628)        | 5,000                     | 25,185                       | (1,443)                        |
| Fund balance (deficit):  |                 |                           |                              |                                |
| June 30, 2019  | 356,498         | 23,427                    | 57,481                       | 437,406                        |
| June 30, 2020  | 324,870         | 28,427                    | 82,666                       | 435,963                        |
|  | =====           | =====                     | =====                        | =====                          |
| Reconciliation of the above statement of revenues,<br>expenditures, and changes in fund balances to the<br>government-wide statement of activities.  |                 |                           |                              |                                |
| Net change in governmental fund balances (above)   |                 |                           |                              | (1,443)                        |
| Capital outlays are reported in governmental funds<br>as expenditures. However, in the government-wide<br>statement of activities, the cost of those assets<br>is allocated over the estimated useful lives as<br>depreciation expense. Therefore: |                 |                           |                              |                                |
| Add the cost of purchased capital assets   |                 |                           |                              | 0                              |
| Subtract depreciation taken on all capital assets  |                 |                           |                              | (18,320)                       |
| Subtract amortization taken on fiber optic line  |                 |                           |                              | (2,500)                        |
| Repayment of debt is an expenditure in the govern-<br>mental funds, but the repayment reduces long-term<br>liabilities in the statement of net position.<br>Therefore:   |                 |                           |                              |                                |
| Add current year increase in delinquent taxes  |                 |                           |                              | 2,998                          |
| Subtract current year increase in accrued leave  |                 |                           |                              | (364)                          |
| (Expenses) and reductions of expenses related to<br>pensions do not provide (use) current financial<br>resources and therefore, are not reported in<br>the funds   |                 |                           |                              | (16,844)                       |
| Change in net position on government-wide<br>statement of activities   |                 |                           |                              | (36,473)                       |
|  |                 |                           |                              | =====                          |
| See accompanying notes.  |                 |                           |                              |                                |

## ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE ONE YEAR ENDING JUNE 30, 2019

|   | General<br>Fund | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Total<br>Governmental<br>Funds |
|---|-----------------|---------------------------|------------------------------|--------------------------------|
| Revenue:  |                 |                           |                              |                                |
| Revenue from local sources:                     | -----           | -----                     | -----                        | -----                          |
| Taxes:  |                 |                           |                              |                                |
| Ad valorem taxes                                | 124,437         | 21,994                    | 68,588                       | 215,019                        |
| Prior year ad valorem taxes                     | 2,238           | 332                       | 303                          | 2,873                          |
| Gross receipts                                  | 50,104          | 4,283                     | 13,500                       | 67,887                         |
| Penalties and interest                          | 1,242           | 151                       | 275                          | 1,668                          |
| Interest earned                                 | 1,282           | 20                        | 192                          | 1,494                          |
| Other revenue from local sources:               |                 |                           |                              |                                |
| Other   | 2,171           |                           |                              | 2,171                          |
| Total revenue from local sources                | 181,474         | 26,780                    | 82,858                       | 291,112                        |
| Revenue from intermediate sources:              |                 |                           |                              |                                |
| County sources:                                 |                 |                           |                              |                                |
| County fines apportionment                      | 779             |                           |                              | 779                            |
| Revenue from state sources:                     |                 |                           |                              |                                |
| Unrestricted grants-in-aid                      | 1,732           |                           |                              | 1,732                          |
| Revenue from federal sources:                   |                 |                           |                              |                                |
| Unrestricted grants-in-aid                      | 85,715          |                           |                              | 85,715                         |
| Restricted grants-in-aid                        | 32,691          |                           |                              | 32,691                         |
| Total revenues                                  | 302,391         | 26,780                    | 82,858                       | 412,029                        |
| Expenditures:                                   |                 |                           |                              |                                |
| Instruction:                                    |                 |                           |                              |                                |
| Regular programs:                               |                 |                           |                              |                                |
| Elementary school                               | 115,357         |                           |                              | 115,357                        |
| Summer school                                   | 0               |                           |                              | 0                              |
| High school                                     | 29,822          | 4,453                     |                              | 34,275                         |
| Preschool                                       | 6,680           |                           |                              | 6,680                          |
| Special programs:                               |                 |                           |                              |                                |
| Programs for special educ.                      |                 |                           | 45,097                       | 45,097                         |
| Educ. deprived (Title I)                        |                 |                           |                              | 0                              |
| Total instruction                               | 151,859         | 4,453                     | 45,097                       | 201,409                        |
| Support services:                               |                 |                           |                              |                                |
| Pupils:   |                 |                           |                              |                                |
| Guidance  | 4,859           |                           | 3,107                        | 7,966                          |
| Health  |                 |                           | 11,610                       | 11,610                         |
| Special education                               |                 |                           | 293                          | 293                            |
| Instruction:                                    |                 |                           |                              |                                |
| Improvement of instruction                      | 25,968          |                           |                              | 25,968                         |
| Technology coordinator                          | 799             |                           |                              | 799                            |
| General administration:                         |                 |                           |                              |                                |
| Board of Education                              | 6,317           | 10,685                    |                              | 17,002                         |
| Executive administration                        | 22,655          |                           |                              | 22,655                         |
| Business:                                       |                 |                           |                              |                                |
| Fiscal services                                 | 39,417          |                           |                              | 39,417                         |
| Facility acquisition                            |                 |                           |                              | 0                              |
| Operations and maintenance                      | 28,991          |                           |                              | 28,991                         |
| Milage to parents                               | 599             |                           |                              | 599                            |
| Other pupil transportation                      |                 |                           |                              | 0                              |
| Total support services                          | 129,605         | 10,685                    | 15,010                       | 155,300                        |
| Capital outlay:                                 |                 |                           |                              | 0                              |
| Total expenditures                              | 281,464         | 15,138                    | 60,107                       | 356,709                        |
| Excess of revenues<br>over (under) expenditures | 20,927          | 11,642                    | 22,751                       | 55,320                         |

(continued)

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES -- GOVERNMENTAL FUNDS  
FOR THE ONE YEAR ENDING JUNE 30, 2019

|                                 | General<br>Fund | Capital<br>Outlay<br>Fund | Special<br>Education<br>Fund | Total<br>Governmental<br>Funds |
|---------------------------------|-----------------|---------------------------|------------------------------|--------------------------------|
|                                 | -----           | -----                     | -----                        | -----                          |
| Other financing sources (uses): |                 |                           |                              |                                |
| None                            |                 |                           |                              | 0                              |
| Net change in fund balance      | 20,927          | 11,642                    | 22,751                       | 55,320                         |
| Fund balance (deficit):         |                 |                           |                              |                                |
| June 30, 2018                   | 335,571         | 11,785                    | 34,730                       | 382,086                        |
| June 30, 2019                   | 356,498         | 23,427                    | 57,481                       | 437,406                        |
|                                 | =====           | =====                     | =====                        | =====                          |

Reconciliation of the above statement of revenues,  
expenditures, and changes in fund balances to the  
government-wide statement of activities.

|  |        |
|--|--------|
| Net change in governmental fund balances (above) | 55,320 |
|--|--------|

Capital outlays are reported in governmental funds  
as expenditures. However, in the government-wide  
statement of activities, the cost of those assets  
is allocated over the estimated useful lives as  
depreciation expense. Therefore:

|   |          |
|---|----------|
| Add the cost of purchased capital assets          | 0        |
| Subtract depreciation taken on all capital assets | (18,320) |
| Subtract amortization taken on fiber optic line   | (2,500)  |

Repayment of debt is an expenditure in the govern-  
mental funds, but the repayment reduces long-term  
liabilities in the statement of net position.  
Therefore:

|   |   |
|---|---|
| Add current year increase in delinquent taxes | 0 |
| Add current year decrease in accrued leave    | 0 |

(Expenses) and reductions of expenses related to  
pensions do not provide (use) current financial  
resources and therefore, are not reported in  
the funds

|          |
|----------|
| (15,128) |
|----------|

|  |        |
|--|--------|
| Change in net position on government-wide<br>statement of activities | -----  |
|  | 19,372 |
|  | =====  |

See accompanying notes.

## ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF NET POSITION - ENTERPRISE FUND  
AS OF JUNE 30, 2020

|                         | Food<br>Service<br>Fund<br>6-30-20<br>----- |
|-------------------------|---|
| Assets:                 |   |
| Current assets:         |   |
| Cash and equivalents    | 31<br>-----                                 |
| Total assets            | 31<br>=====                                 |
| Current liabilities:    |   |
| None                    | 0<br>-----                                  |
| Total liabilities       | 0<br>=====                                  |
| Net position:           |   |
| Unrestricted            | 31<br>-----                                 |
| Total net position      | 31<br>=====                                 |
| See accompanying notes. |   |

STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET POSITION - ENTERPRISE FUND  
FOR THE YEAR ENDING JUNE 30, 2020  
FOR THE YEAR ENDING JUNE 30, 2019

|                                      | Food<br>Service<br>Fund<br>6-30-20<br>----- | Food<br>Service<br>Fund<br>6-30-19<br>----- |
|--------------------------------------|---|---|
| Operating revenue:                   |   |   |
| Sales to pupils                      | 0<br>-----                                  | 0<br>-----                                  |
| Total operating revenue              | 0<br>-----                                  | 0<br>-----                                  |
| Operating expense:                   |   |   |
| Food preparation                     | 0<br>-----                                  | 0<br>-----                                  |
| Total operating expenses             | 0<br>-----                                  | 0<br>-----                                  |
| Operating income (loss)              | 0   | 0   |
| Nonoperating revenue (expense):      |   |   |
| Federal source:                      |   |   |
| Cash reimbursement                   | 0<br>-----                                  | 0<br>-----                                  |
| Total nonoperating revenue (expense) | 0<br>-----                                  | 0<br>-----                                  |
| Income (loss) before contributions   | 0   | 0   |
| Capital contributions:               | 0<br>-----                                  | 0<br>-----                                  |
| Change in net position               | 0   | 0   |
| Net position:                        |   |   |
| June 30, 2018                        |   | 31<br>-----                                 |
| June 30, 2019                        | 31<br>-----                                 | 31<br>=====                                 |
| June 30, 2020                        | 31<br>=====                                 |   |
| See accompanying notes.              |   |   |

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

STATEMENT OF CASH FLOWS - ENTERPRISE FUND  
FOR THE YEAR ENDING JUNE 30, 2020  
FOR THE YEAR ENDING JUNE 30, 2019

|  | Food<br>Service<br>Fund<br>6-30-20<br>----- | Food<br>Service<br>Fund<br>6-30-19<br>----- |
|--|---|---|
| Cash flows from:   |   |   |
| Operating activities:  |   |   |
| Receipts from customers  | 0   | 0   |
| Cash paid for employees  | 0   | 0   |
| Payments to suppliers  | 0   | 0   |
| Net cash provided (used)<br>by operating activities  | -----<br>0                                  | -----<br>0                                  |
| Noncapital financing activities:   |   |   |
| Grant cash reimbursements, federal   | 0   | 0   |
| Capital financing activities:  |   |   |
| None   | 0   | 0   |
| Investing activities:  |   |   |
| Interest received (none)   | 0   | 0   |
| Net increase (decrease) in<br>cash and cash equivalents  | -----<br>0                                  | -----<br>0                                  |
| Cash and cash equivalents:   |   |   |
| June 30, 2018  |   | 31  |
| June 30, 2019  | 31  | -----<br>31                                 |
| June 30, 2020  | -----<br>31<br>=====                        | =====                                       |
| Reconciliation of operating income<br>(loss) to net cash provided (used) by<br>operating activities: |   |   |
| Operating income (loss)  | 0   | 0   |
| Change in operating accounts:  |   |   |
| Accounts payable   | 0   | 0   |
| Net cash provided (used)<br>by operating activities  | -----<br>0<br>=====                         | -----<br>0<br>=====                         |
| Noncash investing, capital and<br>financing activities: None   |   |   |

See accompanying notes.

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Elk Mountain School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Reporting Entity:

The funds and account groups included in this report are controlled by or dependent upon the Elk Mountain School District's (School District) Board of Education.

The School District's officials at June 30, 2020 are:

Board Members:

Joann Boggs, President  
Mary Boots  
Pat Hollenbeck  
Brenda Mayer  
Travis Paulton

Superintendent:

Lisa Richardson

Business Manager:

Shaun Pitts

Attorney:

Beesley Law Office, PC

The reporting entity of the School District consists of (1) the primary government, which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity; (2) those organizations for which the primary government is financially accountable; and (3) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The School District is financially accountable if its governing board appoints a voting majority of another organization's governing body and it has the ability to impose its will on that organization, or there is a potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the School District (the primary government). The School District may also be financially accountable for another organization if that organization is fiscally dependent on the School District unless that organization can, without the approval of the School District: (1) set its own budget; (2) determine its own rates or charges; and (3) borrow money.

Based upon the application of these criteria, the Elk Mountain School District does not have any component units.

b. Basis of Presentation:

*Government-wide Financial Statements:*

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities equal net position). Net position is displayed in three components, as applicable: invested in capital assets net of related debt, restricted (distinguishing between major categories of restrictions), and unrestricted.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities and for each segment of School District's business-type activities. Direct expenses are associated with a specific program or function and are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes and interest, are presented as general revenues.

#### *Fund Financial Statements:*

The fund financial statements include specific information about individual funds used by the reporting entity. Each fund is considered a separate accounting entity with a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, enterprise, and fiduciary (if any). An emphasis is placed on major funds within the governmental and enterprise categories. A fund is considered major if it is the primary operating fund of the School District or if it meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, revenues, or expenditures/expenses) for all funds of that category (that is, total governmental or total enterprise), and
- b. The same element that meets the 10 percent criterion in (a) is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.
- c. In addition to funds that meet the major fund criteria, any other governmental or enterprise fund that the government's official believe is particularly important to financial statement users (for example, because of public interest or consistency) may be reported as a major fund.

The School District has elected to classify all of its funds as major funds. School District funds are described below within their respective fund type:

#### *Governmental Funds*

General fund - a fund established by South Dakota Codified Law (SDCL) 13-16-3 to meet all the general operational costs of a school district, excluding capital outlay and special education fund expenditures. The general fund is always a major fund.

*Special Revenue Fund Type* - special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes. The School District has the following special revenue funds:

Capital outlay fund - a fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of, or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes and is a major fund.

Special education fund - a fund established by SDCL 13-37-16 to pay the costs of special education for all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by property taxes and grants and is a major fund.

#### Enterprise Funds

*Enterprise Fund Types* - enterprise funds are used to account for activity for which a fee is charged to external users for goods or services. The School District has the following enterprise fund:

Food service fund - a fund used to record financial transactions related to the School District's food service operations. This fund is financed by user charges and grants and is a major fund.

#### Fiduciary Funds

Fiduciary are never considered to be major funds.

Agency fund type - agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature, they do not involve the measurement of results of operations. During the FY19 and FY20 school years, the School District did not maintain any agency funds to hold assets in a trustee capacity for various classes, clubs, etc.

#### c. Measurement Focus and Basis of Accounting:

Measurement focus is a term used to describe "what" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

#### Measurement Focus

##### *Government-wide Financial Statements:*

Both governmental and business-type activities are presented using the "economic resources" measurement focus, applied on the accrual basis of accounting.

The "economic resources" measurement focus includes all assets and liabilities (whether current or noncurrent, financial, or nonfinancial) on the balance sheet. Operating statements use the flow of all economic resources to present operating income, changes in net position, and cash flows during the accounting period. This measurement focus uses the term "net position" to describe its equity at the end of the accounting period.

##### *Fund Financial Statements:*

All governmental funds are presented using the "current financial resources" measurement focus and the modified accrual basis of accounting.

The "current financial resources" measurement focus includes only current financial assets and liabilities on the balance sheet. Operating statements present sources and uses of available spendable financial resources during the accounting period. This measurement focus uses the term "fund balance" to describe its equity at the end of the accounting period. It is a measure of available spendable financial resources.

Enterprise and fiduciary funds are presented using the "economic resources" measurement focus (described above) and the accrual basis of accounting.

## Basis of Accounting

### *Government-wide Financial Statements:*

In the government-wide financial statements, the accrual basis of accounting is used for both governmental and business-type activities in the Statement of Net Position and Statement of Activities. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

### *Fund Financial Statements:*

In the fund financial statements, all governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, which for the School District, is 60 days. The revenues which are accrued at June 30, 2020 are grants and other accounts receivable.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Unavailable revenues, where asset recognition criteria have been met, but for which revenue recognition criteria have not been met, are reported as a deferred inflow of resources.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due. However, the Elk Mountain School District budgets for, and makes payment of, debt obligations (if any) due on July 1st as of June 30th, the end of the School District's fiscal year.

All enterprise funds and fiduciary funds are accounted for using the accrual basis of accounting, the same as in the government-wide financial statements. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

### d. Interfund Eliminations and Reclassifications:

#### *Government-wide Financial Statements:*

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified as follows:

In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net residual amounts due between governmental and business-type activities, which are presented as "Internal Balances" (if any).

#### *Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

#### *Fund Financial Statements:*

In the fund financial statements, noncurrent portions of long-term interfund receivables (reported in "Advance to" asset accounts) are equally offset by nonspendable fund balance which indicates that they do not constitute "available spendable resources" since they are not a component of net current assets. Current portions of interfund receivables (reported in "Due from" asset accounts) are considered "available spendable resources."

#### *e. Interfund Transactions:*

Transactions that constitute reimbursements to a fund for disbursements made from it, and that are properly applicable to another fund, are recorded as a disbursement in the reimbursing fund and as reductions of disbursements in the fund that is reimbursed. All other interfund transactions are reported as transfers.

#### *f. Cash and Cash Equivalents:*

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise fund has access to its cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the statement of cash flows.

#### *g. Capital Assets and Infrastructure assets:*

Capital assets include land, buildings, improvements, and equipment, and all other tangible or intangible assets that are used in operations, which have initial useful lives extending beyond a single reporting period. *Infrastructure* assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for significantly greater number of years than most capital assets. Infrastructure assets, if any, are classified as "Improvements Other than Buildings."

#### *Government-wide Financial Statements:*

In the government-wide financial statements, capital assets are accounted for on the accrual basis of accounting. Capital asset purchases are capitalized and not expensed. Instead, capital purchases are expensed over the life of the asset as depreciation or amortization.

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. After an item has been capitalized, subsequent improvements or betterments that are significant, and which extend the useful life of the item, are also capitalized.

The total June 30, 2020 balance of capital assets for governmental activities include approximately 0% for which the costs were determined by estimates of the original costs. The total June 30, 2020 balance of capital assets for business-type activities includes approximately 0% for which the costs were determined by estimates of the original costs. The estimated original costs were established by appraisals.

Interest cost incurred during construction of general capital assets are not capitalized with other capital asset cost. Interest cost incurred during construction of enterprise capital assets are capitalized with other capital asset cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide statement of activities and the enterprise fund

statement of revenue, expenses and changes in net position. Accumulated depreciation is reported on the government-wide statement of net position and on the enterprise fund's statement of net position. See also page 36.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation method, and estimated useful lives of capital assets reported in the government-wide statements and enterprise funds are as follows:

|                          | Capitalization<br>Threshold | Depreciation<br>Method | Estimated<br>Life in<br>Years |
|--------------------------|-----------------------------|------------------------|-------------------------------|
|                          | -----                       | -----                  | -----                         |
| Land                     | All                         | N/A                    | N/A                           |
| Buildings/structures     | 50,000                      | Straight-line          | 50                            |
| Improvements             | 25,000                      | Straight-line          | 10-30                         |
| Equipment                | 5,000                       | Straight-line          | 5-25                          |
| Equipment - food service | 1,000                       | Straight-line          | 5-20                          |

Land is an inexhaustible capital asset and is not depreciated.

#### *Fund Financial Statements:*

In the fund financial statements, governmental funds account for capital asset purchases as expenditures of the appropriate governmental fund. Enterprise funds account for capital asset purchases on the accrual basis of accounting, the same as in the government-wide statements.

#### h. Long-term Liabilities:

##### *Government-wide Financial Statements:*

In the government-wide financial statement, all long-term liabilities to be repaid from governmental or business-type resources are reported as liabilities. Long-term liabilities (due within one year) consist of accrued leave.

##### *Fund Financial Statements:*

In the fund financial statements, governmental debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. Enterprise fund long-term debt (if any) is reported as a liability, the same as in the government-wide statements.

#### i. Program Revenues and General Revenues:

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

1. Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services.
2. Program-specific operating grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.
3. Program-specific capital grants and contribution - These arise from mandatory and voluntary non-exchange transactions with other government, organization, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

General revenues include all revenues not specifically earmarked for a specific program. General revenues include all taxes, investment earnings, unrestricted receipts from federal, state, or county governments, and miscellaneous revenues not related to a program. These revenues are not restricted and can be used for the regular operation of the School District.

j. Deferred Inflows and Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent consumption of net position that applies to a future period or periods. These items will not be recognized as an outflow of resources until the applicable future period.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent acquisitions of net position that applies to a future period or periods. These items will not be recognized as an inflow of resources until the applicable future period.

k. Enterprise Fund Revenue and Expense Classifications:

In the government-wide and fund financial statements, enterprise revenues and expenses are classified in a manner consistent with how they are classified in the statement of cash flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

1. Equity Classifications:

*Government-wide Financial Statements:*

Equity is classified as "Net Position" and is displayed in three components:

1. Net Invested in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any capital outlay certificate payable, capitalized leases payable, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted Net Position - Consists of net position with constraints placed on their use either by (a) external groups such as creditor, grantor, contributors, or laws and regulations of other governments; or (b) law through constitutional provisions or enabling legislation.
3. Unrestricted Net Position - Other net position that does not meet the criteria of 1 or 2 above.

*Fund Financial Statements:*

Governmental fund equity is classified as "Fund Balance", and may distinguish between "Nonspendable", "Restricted", "Committed", "Assigned", and "Unassigned" components. Enterprise fund equity is classified as "Net Position", the same as in the government-wide financial statements. Fiduciary fund equity (except for agency funds, which have no fund equity) is reported as "Net Position" held in trust for a purpose.

m. Application of Net Position:

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred which can be charged to either restricted or unrestricted net position.

n. Allowance for Doubtful Accounts:

Because write-off of uncollected taxes or student meals is minimal, is it not considered necessary to establish an estimated allowance for doubtful accounts.

o. Fund Balance Classification Policies and Procedures:

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

- \* Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
- \* Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amounts constrained due to constitutional provisions or enabling legislation.
- \* Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed (or modified or rescinded) by the government through formal action at the highest level of decision making authority and does not lapse at year-end.
- \* Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by School Board, Superintendent, or Business Manager.
- \* Unassigned - includes positive fund balance within the general fund which has not been classified within the above categories and negative fund balances in other governmental funds.

Elk Mountain School District fund balance classifications are made up of:

| <u>Fund Balance Classifications</u> | <u>Account or Fund</u> | <u>Authority or Action</u> | <u>Amount</u> |
|-------------------------------------|------------------------|----------------------------|---------------|
| Nonspendable                        | None                   |                            | 0             |
| Restricted                          | Capital Outlay         | Statute                    | 28,427        |
| Restricted                          | Special Education      | Statute                    | 82,666        |
| Committed                           | None                   |                            | 0             |
| Assigned                            | None                   |                            | 0             |
| Unassigned                          | General                |                            | 324,870       |
|                                     |                        |                            | -----         |
|                                     |                        |                            | 435,963       |

The School District uses "restricted" and "committed" amounts first when restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the School District would first use "committed", then "assigned", and lastly "unassigned" amounts of unrestricted fund balance when expenditures are made.

The School District does not have a formal minimum fund balance policy.

The purpose of each special revenue fund and revenue source is:

|                       |                                      |
|-----------------------|--------------------------------------|
| Special Revenue Fund: | Revenue Source: (see page 13 and 15) |
| * Capital Outlay      | Property and utility taxes           |
| * Special Education   | Property and utility taxes           |

p. Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual amounts could differ from these estimates. Following are the estimates made by management during the year:

- \* Allowance for doubtful accounts - estimated uncollectables
- \* Inventory - estimated fair market value
- \* Depreciation - estimated cost of certain assets and service lives
- \* Pension - actuarial assumptions

## 2. VIOLATIONS OF FINANCE-RELATED LEGAL AND CONTRACTUAL PROVISIONS

None reported.

## 3. DEPOSITS, INVESTMENTS AND RISK

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The School District deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15 and 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain, at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or better, or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Deposits are reported at cost, plus interest, if the account is the add-on type.

Actual bank balances at June 30, 2020 were as follows: Insured \$451,711, Collateralized \*\* \$7,721, for a total of \$459,432.

\*\* Uninsured, collateral jointly held by state's/school's agent in the name of the state and the pledging financial institution.

The carrying amount of these deposits at June 30, 2020 was \$456,018

Investments - In general, SDCL 4-5-6 permits school district funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or (c) in shares of an open-end, no-load mutual fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safe-keeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

For the two years ending June 30, 2020, the School District had no investments. Certificates of deposit, with a term to maturity of greater than 3 months when purchased, were insured or collateralized and are considered deposits.

Investment Risk - State law limits eligible investments for schools as discussed above. The School District has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - the School District places no limit on the amount that may be deposited/invested in any one institution. All School District deposits are in First Interstate Bank.

Custodial Credit Risk (Deposits) - The risk that, in the event of a depository failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2020, the School District's deposits in financial institutions were not exposed to custodial credit risk.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the general fund or the fund making the investment. The School District's policy is to credit all income from deposits and investments to the fund making the deposit or investment.

#### 4. RECEIVABLES AND PAYABLES

Receivables and payables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year. Allowances for estimated uncollectible accounts are not material to these financial statements.

#### 5. DUE FROM OTHER GOVERNMENTS

At June 30, 2020 gross receipts of \$5,459 was due from other governments.

#### 6. INTERFUND TRANSFERS AND BALANCES

There were no interfund transfers during FY19 or FY20 and there are no interfund balances at June 30, 2020.

#### 7. CHANGES IN CAPITAL ASSETS (see schedule one)

A summary of changes in capital assets for the two years ending June 30, 2020 is found on schedule one at the end of these footnotes.

There is no construction-in-progress at June 30, 2020.

#### 8. CHANGES IN LONG-DEBT

Changes in long-term debt is for accrued leave, which was at:

|           |       |
|-----------|-------|
| 6-30-2018 | 896   |
| 6-30-2019 | 896   |
| 6-30-2020 | 1,260 |

The School District has no short-term or conduit debt.

#### 9. RESTRICTED NET POSITION

The following table shows the net position restricted for specific purposes as shown on the statement of net position:

| Fund                   | Restricted by | Governmental<br>Activities<br>Amount | Business-type<br>Activities<br>Amount |
|------------------------|---------------|--------------------------------------|---------------------------------------|
| Capital outlay         | Statute       | 24,490                               | 0                                     |
| Special Education      | Statute       | 81,479                               | 0                                     |
| General - SDRS Pension | Contract      | 34,322                               | 0                                     |
|                        |               | -----                                | -----                                 |
|                        |               | 140,291                              | 0                                     |

## 10. PENSION PLAN

### Summary of Significant Accounting Policies:

For purpose of measuring the net pension (assets), liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions to/deductions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. School District contributions and net position (asset)/liability are recognized on an accrual basis of accounting.

### Plan Information:

All employees, working more than 20 hours per week during the year, participate in the South Dakota Retirement System (SDRS), a cost-sharing, multiple employer hybrid defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in South Dakota Codified Law 3-12. SDRS issues a publicly available financial report that includes financial statements and required supplementary information.

That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to SDRS, PO Box 1098, Pierre, SD 57501-1098 or calling (605) 773-3731.

### Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017 are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80.

Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on or after July 1, 2017 are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

Legislation enacted in 2017 established the current COLA process. At each valuation date:

- > Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.
- > If the fair value of assets is equal to or greater than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%.
- > If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be: The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be equal to or greater than the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living Adjustment.

#### Contributions:

Per SDCL 3-12, contributions requirements of the active employees and the participating employers are established and may be amended by the SDRS Board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6.0% of salary; Class B Judicial Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. The School District's share of contributions to the SDRS for the years ending June 30, 2020, 2019 and 2018 were \$11,377, \$11,786, and \$12,314 respectively (employer's share) equal to the required contribution each year.

#### Pension (Assets)/Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow of Resources to Pensions:

At June 30, 2019 SDRS is 100.09% funded and accordingly has net pension (asset). The proportionate shares of the components of the net pension (asset) of South Dakota Retirement System, for the School District as of June 30, 2020 are as follows:

|   |              |
|---|--------------|
| Proportionate share of total pension liability                            | \$ 1,102,842 |
| Less: Proportionate share of net position restricted for pension benefits | (1,103,780)  |
|   | -----        |
| Proportionate share of net pension (asset)/liability                      | \$ (938)     |
|   | =====        |

At June 30, 2020 the School District reported a (asset)/liability of \$(938) for its proportionate share of the net pension (asset)/liability. The net pension (asset) was measured as of June 30, 2019 and the total pension liability used to calculate the net pension (asset) was based on a projection of the School District's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District's proportion was .000088495 which is a decrease of .000012856 over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized net pension expense of \$16,845.

At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Difference between expected<br>and actual experience  | \$ 3,679                          | \$ 425                           |
| Change in assumptions   | 32,389                            | 13,278                           |
| Net difference between projected and<br>actual earnings on pension plan investments                             | 0                                 | 5,403                            |
| Changes in proportion and difference<br>between client contribution and<br>proportionate share of contributions | 5,044                             |                                  |
| School District contributions subsequent to<br>the measurement date   | 11,377                            |                                  |
|   | -----                             | -----                            |
| Totals  | \$ 52,489                         | \$ 19,106                        |
|   | (11,377)                          | =====                            |
|   | (19,106)                          |                                  |
|   | -----                             |                                  |
| To be amortized over 4 years  | \$ 22,006                         |                                  |
|   | =====                             |                                  |

The \$11,377 reported as deferred outflow of resources related to the Pension, results from the School District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

The other amounts reported as deferred outflows of resources and deferred inflow of resources related to the pension will be recognized in pension expense (reduction of expense) as follows:

|                           |           |
|---------------------------|-----------|
| Year Ending June 30, 2021 | \$ 26,599 |
| June 30, 2022             | (4,122)   |
| June 30, 2023             | (2,806)   |
| June 30, 2024             | 2,335     |
|                           | -----     |
|                           | \$ 22,006 |
|                           | =====     |

#### Actuarial Assumptions:

The total pension asset in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                  |   |
|------------------|---|
| Inflation        | 2.25%   |
| Salary Increases | Graded by years of service from 6.50% at entry to 3.00% after 25 years of service |
| Discount Rate    | 6.50% net of plan investment expense  |
| Futurs COLAs     | 1.88%   |

Mortality rates were based on 97% of the RP-2014 Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males.

Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, adjusted to 2006 and projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

## Investments

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which my utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (ie: the Council should use the same degree of care as a prudent man.) Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

| Asset Class   | Target Allocation | Long-Term Expected Real Rate of Return |
|---------------|-------------------|--|
| Global Equity | 58.0%             | 4.7%                                   |
| Fixed Income  | 30.0%             | 1.7%                                   |
| Real Estate   | 10.0%             | 4.3%                                   |
| Cash          | 2.0%              | 0.9%                                   |
|               | -----             |  |
|               | 100.0%            |  |
|               | =====             |  |

## Discount Rate:

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions will be made at rates equal to the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## Sensitivity of (Asset)/Liability to Changes in the Discount Rate:

The following presents the School District's proportionate share of the net pension (asset)/liability of SDRS, calculated using the discount rate of 6.50%, as well as what the School District's proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate the is 1% point lower (5.50%) or 1% point higher (7.50%) than the current rate:

|  | 1% Decrease<br>5.50% | Current<br>Discount<br>Rate<br>6.50% | 1% Increase<br>7.50% |
|--|----------------------|--------------------------------------|----------------------|
| School District's proportionate share of the net pension (asset)/liability | \$155,657            | \$(938)                              | \$(128,534)          |

## Pension Plan Fiduciary Net Position:

Detailed information about the Plan's fiduciary net position is available in a separately issued SDRS financial report.

## 11. PROPERTY TAXES

Property taxes are levied on or before October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before the following April 30 and October 31. The county bills and collects the School District's taxes and remits them to the School District.

School District property tax revenue are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable, which is not intended to be used to finance the current year's appropriations, and therefore not susceptible to accrual, has been reported as deferred revenue in both the government-wide financial statements and the fund financial statements.

Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period". However, because property taxes are payable on April 30 and October 31 each year, about 1/2 of the property tax levy is collected by June 30, to finance the current year's appropriations, and 1/2 is collected after June 30, to finance the next year's appropriations.

Consequently, the School District considers all unpaid property tax levies at June 30 to be for the next year's appropriation. This entire amount is deferred in both the government-wide financial statements and the fund financial statements. Any delinquent property taxes received after June 30, but within the School District's "availability period", are considered immaterial to these financial statements and are deferred along with the second 1/2 of the current year's tax levy.

Delinquent property taxes, from prior year tax levies, are included in "net position" in the government-wide statement of activities but are deferred in the fund financial statements. See reconciliations on page 14 and 16.

## 12. RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the two years ending June 30, 2020 the School District managed its risks as follows:

### Health:

The School District does not purchase health insurance for its employees.

### Liability:

The School District joined the Associated School Boards of South Dakota Property Liability Fund (ASBSD-PLF), a public entity risk pool currently operating as a common risk management and insurance program for South Dakota school districts. The objective of the ASBSD-PLF is to administer and provide risk management services and risk sharing facilities to the members and to defend and protect the members against liability, to advise members on loss control guidelines and procedures, and provide them with risk management services, loss control and risk reduction information and to obtain lower cost for that coverage. The School District's responsibility is to promptly report to and cooperate with the ASBSD-PLF to resolve any incident which could result in a claim being made by or against the School District. The School District pays an annual premium, to provide liability coverage detailed below, under a claims-made policy and the premiums are accrued based on the ultimate cost of the experience to date of the ASBSD-PLF member, based on their exposure or type of coverage.

The School District pays an annual premium to the pool to provide coverage for: property, automobile, general liability, crime, and employee benefits.

The agreement with the ASBSD-PLF provides that the above coverage's will be provided up to a \$532,500 limit for property, \$2,000,000 aggregate limit for general liability, \$2,000,000 limit for automobile liability, \$2,000,000 limit for employee benefits liability and a \$2,000,000 limit for Board errors and crime.

Member premiums are used by the pool for payment of claims and to pay for reinsurance for claims in excess of \$100,000 to the upper limit for general liability, automobile, employee benefits liability, Board errors and \$10,000 for crime. The School carries a \$5,000 deductible for Board errors and \$1,000 deductible for crime coverage and employee benefits liability.

The ASBSD-PLF also provides an excess aggregate property coverage which will provide an additional \$249,467,500 coverage in excess of the \$532,500 primary limit for property. The property, boiler and machinery coverage is \$250,000,000 with a boiler and machinery limit of \$100,000,000 and deductibles of \$2,500 for property and \$1,000 for boiler.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

#### Workmen's Compensation:

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool (Pool), which provides workers compensation insurance coverage for participating members of the pool.

The objective of the Pool is to formulate, develop, and administer, on behalf of the member organizations, a program of worker's compensation coverage, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The School District's responsibility is to initiate and maintain a safety program to give its employees safe and sanitary working conditions and to promptly report to and cooperate with the Pool to resolve any worker's compensation claims. The School District pays an annual premium, to provide worker's compensation coverage for its employees, under a retrospective rated policy and the premiums are accrued based on the ultimate cost of the experience to date of the Pool members. The School District may also be responsible for additional assessments in the event the Pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the Pool of all participants for the year in which the shortfall occurs.

The Pool provides loss coverage to all participants, through Pool retained risk retention and through reinsurance coverage purchased by the Pool in excess of the retained risk. The Pool pays the first \$500,000 of any claim per individual. The Pool has reinsurance which covers up to \$1,000,000 per individual per incident.

The School District does not carry additional insurance to cover claims in excess of the upper limit. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

#### Unemployment Benefits:

The School District has elected to be self-insured and retain all risks for liability resulting from claims for unemployment benefits. During FY19 and FY20 no claims for unemployment benefits were paid and none are anticipated in FY21.

### 13. TAX ABATEMENTS

As of June 30, 2020 the School District did not provide any tax abatement incentives through agreements that are considered tax abatements in accordance with the provisions of GASB Statement No. 77.

### 14. LITIGATION

The School District can be a party to litigation. No determination can be made at this time regarding the potential outcome of such matters. However, as discussed in the risk management note above, the School District has liability coverage for itself and its employees. Therefore, any litigation is not expected to have a potential material effect on the School District's financial statements.

### 15. OTHER DISCLOSURES AND SUBSEQUENT EVENT

The School District is not involved in any significant litigation.

The School District does not offer any Other Post Employment Benefits.

The School District does not have any material related party transactions.

The School District is in discussion with Custer County on the possible development of a water well on school property.

The School District expects to receive approximately \$60,000 of railroad utility tax money in FY21 and subsequent years.

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

NOTES TO THE FINANCIAL STATEMENTS -- SCHEDULE ONE  
CHANGES IN CAPITAL ASSETS  
FOR THE TWO YEARS ENDING JUNE 30, 2020

|                          | Beginning<br>6-30-18 | Book<br>Adjustments | FY19<br>Additions<br>(Deletions) | FY20<br>Additions<br>(Deletions) | Ending<br>6-30-20 | Accumulated<br>Depreciation<br>Amortization<br>6-30-18 | Book<br>Adjustments | FY19<br>Additions<br>(Deletions) | FY20<br>Additions<br>(Deletions) | Accumulated<br>Depreciation<br>Amortization<br>6-30-20 | Remaining<br>Cost<br>6-30-20 |
|--------------------------|----------------------|---------------------|----------------------------------|----------------------------------|-------------------|--|---------------------|----------------------------------|----------------------------------|--|------------------------------|
| General capital assets:  |                      |                     |                                  |                                  |                   |  |                     |                                  |                                  |  |                              |
| Land                     | 5,400                |                     |                                  |                                  | 5,400             | 0  |                     |                                  |                                  |  | 5,400                        |
| Buildings                | 559,967              |                     |                                  |                                  | 559,967           | (92,927)   |                     | (15,592)                         | (15,591)                         | (124,110)  | 435,857                      |
| Improvements             | 0                    |                     |                                  |                                  | 0                 | 0  |                     |                                  |                                  | 0  | 0                            |
| Equipment                | 64,245               |                     |                                  |                                  | 64,245            | (53,005)   |                     | (2,728)                          | (2,728)                          | (58,461)   | 5,784                        |
| Construction-in-progress | 0                    |                     |                                  |                                  | 0                 | 0  |                     |                                  |                                  | 0  | 0                            |
| Intangible asset         | 50,000               |                     |                                  |                                  | 50,000            | (2,500)  |                     | (2,500)                          | (2,500)                          | (7,500)  | 42,500                       |
| Totals                   | 679,612              | 0                   | 0                                | 0                                | 679,612           | (148,432)  | 0                   | (20,820)                         | (20,819)                         | (190,071)  | 489,541                      |

Governmental depreciation  
amortization is  
allocated as follows:

|        |        |                  |
|--------|--------|------------------|
| 8,999  | 8,999  | Instruction      |
| 11,821 | 11,821 | Support services |
| 20,820 | 20,820 |                  |

Enterprise fund:

Food service fund:

|           |   |   |   |   |   |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|---|---|---|---|---|
| Equipment | 0 |   |   |   | 0 | 0 |   |   |   | 0 | 0 |
| Totals    | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2020

| GENERAL FUND                        | Budgeted Amounts |                          |               |         | Variance<br>Positive<br>(Negative) |
|-------------------------------------|------------------|--------------------------|---------------|---------|------------------------------------|
|                                     | Original         | Contingency<br>Transfers | Supplementals | Final   |                                    |
| Revenues:                           |                  |                          |               |         |                                    |
| Local Sources:                      |                  |                          |               |         |                                    |
| Taxes:                              |                  |                          |               |         |                                    |
| Ad valorem taxes                    | 178,000          |                          |               | 178,000 | 127,404                            |
| Prior year ad valorem taxes:        | 3,000            |                          |               | 3,000   | 4,381                              |
| Gross receipts                      | 5,900            |                          |               | 5,900   | 54,225                             |
| Penalties and interest              | 900              |                          |               | 900     | 1,976                              |
| Interest earned                     | 375              |                          |               | 375     | 787                                |
| Other revenue from local sources:   |                  |                          |               |         |                                    |
| Other                               |                  |                          |               | 0       | 6,315                              |
| Intermediate sources:               |                  |                          |               |         |                                    |
| County apportionment                | 1,500            |                          |               | 1,500   | 1,030                              |
| PILOT                               |                  |                          |               | 0       |                                    |
| State sources:                      |                  |                          |               |         |                                    |
| Unrestricted grants-in-aid          | 1,800            |                          |               | 1,800   | 1,621                              |
| Federal sources:                    |                  |                          |               |         |                                    |
| Unrestricted grants-in-aid          | 53,200           |                          |               | 53,200  | 80,637                             |
| Restricted grants-in-aid            | 26,377           |                          |               | 26,377  |                                    |
| Total revenues                      | 271,052          | 0                        | 0             | 271,052 | 278,376                            |
| Expenditures:                       |                  |                          |               |         |                                    |
| Instruction:                        |                  |                          |               |         |                                    |
| Regular programs:                   |                  |                          |               |         |                                    |
| Elementary school                   | 114,780          |                          |               | 114,780 | 127,789                            |
| Summer school                       | 0                |                          |               | 0       |                                    |
| High school                         | 50,776           |                          |               | 50,776  | 42,719                             |
| Preschool                           | 6,248            |                          |               | 6,248   | 6,283                              |
| Special programs:                   |                  |                          |               |         |                                    |
| Tuition - Newcastle                 | 200              |                          |               | 200     |                                    |
| Support services:                   |                  |                          |               |         |                                    |
| Pupils:                             |                  |                          |               |         |                                    |
| Guidance                            | 5,385            |                          |               | 5,385   | 6,792                              |
| Health services                     | 500              |                          |               | 500     |                                    |
| Instruction:                        |                  |                          |               |         |                                    |
| Improvement of instruction          | 26,720           |                          |               | 26,720  | 28,104                             |
| Prof. develop. - Title I            | 4,000            |                          |               | 4,000   |                                    |
| Technology in school                | 8,500            |                          |               | 8,500   | 1,125                              |
| General administration:             |                  |                          |               |         |                                    |
| Board of Education                  | 14,173           |                          |               | 14,173  | 15,066                             |
| Executive administration            | 15,483           |                          |               | 15,483  | 14,439                             |
| Business:                           |                  |                          |               |         |                                    |
| Fiscal services                     | 40,660           |                          |               | 40,660  | 41,221                             |
| Operations and maintenance          | 36,898           |                          |               | 36,898  | 24,785                             |
| Pupil transportation                | 1,750            |                          |               | 1,750   | 1,681                              |
| Contingencies                       | 4,160            |                          |               | 4,160   |                                    |
| Amount transferred                  |                  |                          |               | 0       |                                    |
| Total expenditures                  | 330,233          | 0                        | 0             | 330,233 | 310,004                            |
| Other financing sources and (uses): |                  |                          |               |         |                                    |
| Transfer in                         | 59,181           |                          |               | 59,181  |                                    |
| Net change in fund balance          | 0                | 0                        | 0             | 0       | (31,628)                           |
| Fund balance:                       |                  |                          |               |         |                                    |
| July 1, 2019                        | 356,498          |                          |               | 356,498 | 356,498                            |
| June 30, 2020                       | 356,498          | 0                        | 0             | 356,498 | 324,870                            |

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2019

| GENERAL FUND                        | Budgeted Amounts |                          |               |         | Variance<br>Positive<br>(Negative) |
|-------------------------------------|------------------|--------------------------|---------------|---------|------------------------------------|
|                                     | Original         | Contingency<br>Transfers | Supplementals | Final   |                                    |
| Revenues:                           |                  |                          |               |         |                                    |
| Local Sources:                      |                  |                          |               |         |                                    |
| Taxes:                              |                  |                          |               |         |                                    |
| Ad valorem taxes                    | 163,000          |                          |               | 163,000 | 124,437 (38,563)                   |
| Prior year ad valorem taxes:        | 3,000            |                          |               | 3,000   | 2,238 (762)                        |
| Gross receipts                      | 5,900            |                          |               | 5,900   | 50,104 44,204                      |
| Penalties and interest              | 900              |                          |               | 900     | 1,242 342                          |
| Interest earned                     | 375              |                          |               | 375     | 1,282 907                          |
| Other revenue from local sources:   |                  |                          |               |         |                                    |
| Other                               |                  |                          |               | 0       | 2,171 2,171                        |
| Intermediate sources:               |                  |                          |               |         |                                    |
| County apportionment                | 1,500            |                          |               | 1,500   | 779 (721)                          |
| State sources:                      |                  |                          |               |         |                                    |
| Unrestricted grants-in-aid          | 1,800            |                          |               | 1,800   | 1,732 (68)                         |
| Federal sources:                    |                  |                          |               |         |                                    |
| Unrestricted grants-in-aid          | 53,200           |                          |               | 53,200  | 85,715 32,515                      |
| Restricted grants-in-aid            | 26,377           |                          |               | 26,377  | 32,691 6,314                       |
| Total revenues                      | 256,052          | 0                        | 0             | 256,052 | 302,391 46,339                     |
| Expenditures:                       |                  |                          |               |         |                                    |
| Instruction:                        |                  |                          |               |         |                                    |
| Regular programs:                   |                  |                          |               |         |                                    |
| Elementary school                   | 109,780          |                          |               | 109,780 | 115,357 (5,577)                    |
| Summer school                       |                  |                          |               | 0       | 0                                  |
| High school                         | 39,696           |                          |               | 39,696  | 29,822 9,874                       |
| Preschool                           | 6,248            |                          |               | 6,248   | 6,680 (432)                        |
| Special programs:                   |                  |                          |               |         |                                    |
| Tuition - Newcastle                 | 200              |                          |               | 200     | 200                                |
| Support services:                   |                  |                          |               |         |                                    |
| Pupils:                             |                  |                          |               |         |                                    |
| Guidance                            | 5,885            |                          |               | 5,885   | 4,859 1,026                        |
| Health services                     | 2,500            |                          |               | 2,500   | 2,500                              |
| Instruction:                        |                  |                          |               |         |                                    |
| Improvement of instruction          | 26,719           |                          |               | 26,719  | 25,968 751                         |
| Prof. develop. - Title I            | 1,500            |                          |               | 1,500   | 1,500                              |
| Technology in school                | 8,000            |                          |               | 8,000   | 799 7,201                          |
| General administration:             |                  |                          |               |         |                                    |
| Board of Education                  | 12,024           |                          |               | 12,024  | 6,317 5,707                        |
| Executive administration            | 28,153           |                          |               | 28,153  | 22,655 5,498                       |
| Business:                           |                  |                          |               |         |                                    |
| Fiscal services                     | 39,637           |                          |               | 39,637  | 39,417 220                         |
| Operations and maintenance          | 33,641           |                          |               | 33,641  | 28,991 4,650                       |
| Pupil transportation                | 1,750            |                          |               | 1,750   | 599 1,151                          |
| Contingencies                       | 5,000            |                          |               | 5,000   | 5,000                              |
| Amount transferred                  |                  |                          |               | 0       | 0                                  |
| Total expenditures                  | 320,733          | 0                        | 0             | 320,733 | 281,464 39,269                     |
| Other financing sources and (uses): |                  |                          |               |         |                                    |
| Transfer in                         | 64,681           |                          |               | 64,681  | (64,681)                           |
| Net change in fund balance          | 0                | 0                        | 0             | 0       | 20,927 20,927                      |
| Fund balance:                       |                  |                          |               |         |                                    |
| July 1, 2018                        | 335,571          |                          |               | 335,571 | 335,571 0                          |
| June 30, 2019                       | 335,571          | 0                        | 0             | 335,571 | 356,498 20,927                     |

## ELK MOUNTAIN SCHOOL DISTRICT No. 16-2

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2020

| CAPITAL OUTLAY FUND                 | Budgeted Amounts |               |        | Actual | Variance<br>Positive<br>(Negative) |
|-------------------------------------|------------------|---------------|--------|--------|------------------------------------|
|                                     | Original         | Supplementals | Final  |        |                                    |
| Revenues:                           |                  |               |        |        |                                    |
| Local Sources:                      |                  |               |        |        |                                    |
| Taxes:                              |                  |               |        |        |                                    |
| Ad valorem taxes                    | 30,000           |               | 30,000 | 23,424 | (6,576)                            |
| Prior year's ad valorem ta:         | 230              |               | 230    | 641    | 411                                |
| Gross receipts                      |                  |               | 0      | 5,011  | 5,011                              |
| Penalties and interest              | 165              |               | 165    | 255    | 90                                 |
| Interest earned                     | 5                |               | 5      | 20     | 15                                 |
| Total revenues                      | 30,400           | 0             | 30,400 | 29,351 | (1,049)                            |
| Expenditures:                       |                  |               |        |        |                                    |
| Instruction:                        |                  |               |        |        |                                    |
| Regular programs:                   |                  |               |        |        |                                    |
| Elementary school                   |                  |               | 0      |        | 0                                  |
| High school                         | 10,000           |               | 10,000 | 6,837  | 3,163                              |
| Support services:                   |                  |               |        |        |                                    |
| Administration:                     |                  |               |        |        |                                    |
| Board of Education                  | 11,500           |               | 11,500 | 15,344 | (3,844)                            |
| Business:                           |                  |               |        |        |                                    |
| Facilities acqui and const          | 8,900            |               | 8,900  |        | 8,900                              |
| Operation and maintenance           | 0                |               | 0      | 2,170  | (2,170)                            |
| Total expenditures                  | 30,400           | 0             | 30,400 | 24,351 | 6,049                              |
| Other financing sources and (uses): |                  |               |        |        |                                    |
| None                                |                  |               | 0      |        | 0                                  |
| Net change in fund balance          | 0                | 0             | 0      | 5,000  | 5,000                              |
| Fund balance (deficit):             |                  |               |        |        |                                    |
| July 1, 2019                        | 23,427           |               | 23,427 | 23,427 | 0                                  |
| June 30, 2020                       | 23,427           | 0             | 23,427 | 28,427 | 5,000                              |

REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
 FOR THE YEAR ENDING JUNE 30, 2019

| CAPITAL OUTLAY FUND                 | Budgeted Amounts |               |        | Actual | Variance<br>Positive<br>(Negative) |
|-------------------------------------|------------------|---------------|--------|--------|------------------------------------|
|                                     | Original         | Supplementals | Final  |        |                                    |
| Revenues:                           |                  |               |        |        |                                    |
| Local Sources:                      |                  |               |        |        |                                    |
| Taxes:                              |                  |               |        |        |                                    |
| Ad valorem taxes                    | 25,000           |               | 25,000 | 21,994 | (3,006)                            |
| Prior year's ad valorem ta:         | 230              |               | 230    | 332    | 102                                |
| Gross receipts                      |                  |               | 0      | 4,283  | 4,283                              |
| Penalties and interest              | 165              |               | 165    | 151    | (14)                               |
| Interest earned                     | 5                |               | 5      | 20     | 15                                 |
| Federal Sources:                    |                  |               |        |        |                                    |
| National Forest                     |                  |               | 0      |        | 0                                  |
| Total revenues                      | 25,400           | 0             | 25,400 | 26,780 | 1,380                              |
| Expenditures:                       |                  |               |        |        |                                    |
| Instruction:                        |                  |               |        |        |                                    |
| Regular programs:                   |                  |               |        |        |                                    |
| Elementary school                   | 1,400            |               | 1,400  |        | 1,400                              |
| High school                         |                  |               | 0      | 4,453  | (4,453)                            |
| Support services:                   |                  |               |        |        |                                    |
| Administration:                     |                  |               |        |        |                                    |
| Board of Education                  | 11,000           |               | 11,000 | 10,685 | 315                                |
| Business:                           |                  |               |        |        |                                    |
| Facilities acqui and const          | 7,000            |               | 7,000  |        | 7,000                              |
| Operation and maintenance           | 6,000            |               | 6,000  |        | 6,000                              |
| Total expenditures                  | 25,400           | 0             | 25,400 | 15,138 | 10,262                             |
| Other financing sources and (uses): |                  |               |        |        |                                    |
| None                                |                  |               | 0      |        | 0                                  |
| Net change in fund balance          | 0                | 0             | 0      | 11,642 | 11,642                             |
| Fund balance (deficit):             |                  |               |        |        |                                    |
| July 1, 2018                        | 11,785           |               | 11,785 | 11,785 | 0                                  |
| June 30, 2019                       | 11,785           | 0             | 11,785 | 23,427 | 11,642                             |

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2020

| SPECIAL EDUCATION FUND              |          | Budgeted Amounts |        |        | Variance<br>Positive<br>(Negative) |
|-------------------------------------|----------|------------------|--------|--------|------------------------------------|
| Revenues:                           | Original | Supplementals    | Final  | Actual |                                    |
| Local Sources:                      |          |                  |        |        |                                    |
| Taxes:                              |          |                  |        |        |                                    |
| Ad valorem taxes                    | 67,000   |                  | 67,000 | 58,439 | (8,561)                            |
| Prior year ad valorem taxes:        | 25       |                  | 25     | 986    | 961                                |
| Gross receipts                      |          |                  | 0      | 12,670 | 12,670                             |
| Penalties and interest              | 25       |                  | 25     | 362    | 337                                |
| Interest earned                     | 250      |                  | 250    | 192    | (58)                               |
| Federal sources:                    |          |                  |        |        |                                    |
| Restricted grants-in-aid            |          |                  | 0      |        | 0                                  |
| Total revenues                      | 67,300   | 0                | 67,300 | 72,649 | 5,349                              |
| Expenditures:                       |          |                  |        |        |                                    |
| Instruction:                        |          |                  |        |        |                                    |
| Special programs:                   |          |                  |        |        |                                    |
| Special education                   | 53,317   |                  | 53,317 | 42,157 | 11,160                             |
| Support services:                   |          |                  |        |        |                                    |
| Pupils:                             |          |                  |        |        |                                    |
| Special education                   | 13,483   |                  | 13,483 | 5,307  | 8,176                              |
| Other:                              |          |                  |        |        |                                    |
| Transportation                      | 500      |                  | 500    |        | 500                                |
| Total expenditures                  | 67,300   | 0                | 67,300 | 47,464 | 19,836                             |
| Other financing sources and (uses): |          |                  |        |        |                                    |
| None                                | 0        |                  | 0      |        | 0                                  |
| Net change in fund balance          | 0        | 0                | 0      | 25,185 | 25,185                             |
| Fund balance:                       |          |                  |        |        |                                    |
| July 1, 2019                        | 57,481   |                  | 57,481 | 57,481 | 0                                  |
| June 30, 2020                       | 57,481   | 0                | 57,481 | 82,666 | 25,185                             |

REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS  
FOR THE YEAR ENDING JUNE 30, 2019  
SPECIAL EDUCATION FUND

| SPECIAL EDUCATION FUND              |          | Budgeted Amounts |        |        | Variance<br>Positive<br>(Negative) |
|-------------------------------------|----------|------------------|--------|--------|------------------------------------|
| Revenues:                           | Original | Supplementals    | Final  | Actual |                                    |
| Local Sources:                      |          |                  |        |        |                                    |
| Taxes:                              |          |                  |        |        |                                    |
| Ad valorem taxes                    | 67,365   |                  | 67,365 | 68,588 | 1,223                              |
| Prior year ad valorem taxes:        | 25       |                  | 25     | 303    | 278                                |
| Gross receipts                      |          |                  | 0      | 13,500 | 13,500                             |
| Penalties and interest              | 25       |                  | 25     | 275    | 250                                |
| Interest earned                     | 250      |                  | 250    | 192    | (58)                               |
| Federal sources:                    |          |                  |        |        |                                    |
| Restricted grants-in-aid            |          |                  | 0      |        | 0                                  |
| Total revenues                      | 67,665   | 0                | 67,665 | 82,858 | 15,193                             |
| Expenditures:                       |          |                  |        |        |                                    |
| Instruction:                        |          |                  |        |        |                                    |
| Special programs:                   |          |                  |        |        |                                    |
| Special education                   | 50,103   |                  | 50,103 | 45,097 | 5,006                              |
| Support services:                   |          |                  |        |        |                                    |
| Pupils:                             |          |                  |        |        |                                    |
| Special education                   | 17,315   |                  | 17,315 | 15,010 | 2,305                              |
| Other:                              |          |                  |        |        |                                    |
| Transportation                      | 247      |                  | 247    |        | 247                                |
| Total expenditures                  | 67,665   | 0                | 67,665 | 60,107 | 7,558                              |
| Other financing sources and (uses): |          |                  |        |        |                                    |
| None                                | 0        |                  | 0      |        | 0                                  |
| Net change in fund balance          | 0        | 0                | 0      | 22,751 | 22,751                             |
| Fund balance:                       |          |                  |        |        |                                    |
| July 1, 2018                        | 34,730   |                  | 34,730 | 34,730 | 0                                  |
| June 30, 2019                       | 34,730   | 0                | 34,730 | 57,481 | 22,751                             |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETS

1. Budgets and Budgetary Accounting:

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to the first regular board meeting in May of each year the school board causes to be prepared a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
- b. The proposed budget is considered by the school board at the first regular meeting held in May of each year.
- c. The proposed budget is published for public review no later than July 15 of each year.
- d. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
- e. Before October 1 of each year, the school board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
- f. After adoption by the school board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 1h below.
- g. A line item for contingencies may be included in the annual budget. Such a line item may not exceed 5 percent of the total school district budget and may be transferred by resolution of the school board to any other budget category, except for capital outlay, that is deemed insufficient during the year.
- h. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets, when money is available, to increase legal spending authority. There were no supplemental budgets in FY19 and FY20. See page 37 and 38.
- i. Unexpended appropriations lapse at year end unless encumbered by resolution of the school board. No encumbrances were outstanding at June 30, 2020.
- j. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds. Formal budgetary integration is not employed for debt service funds (if any) because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- k. Budgets for the general fund and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

2. GAAP and Budgetary Accounting Basis Difference:

The financial statements prepared in conformity with U.S.GAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital expenditure on the governmental funds statement of revenues, expenditures and changes in fund balances. However, in the budgetary RSI schedule, the purchase of a school bus would be reported as an expenditure of the support service/business/pupil transportation function of government, along with all other current pupil transportation related expenditures.

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2  
FOR THE SIX YEARS ENDING JUNE 30, 2019

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE  
SOUTH DAKOTA RETIREMENT SYSTEM'S NET PENSION (ASSET)/LIABILITY

| SDRS<br>Measurement Date<br>Year Ended (1) | School's<br>Pension<br>Allocation<br>Percentage | School's<br>Proportionate<br>Share of<br>Net Pension<br>(Asset)<br>Liability | School's<br>Covered<br>Employee<br>Payroll<br>for its<br>6-30<br>Year End | School's<br>Proportionate<br>Share of the<br>Net Pension<br>(Asset)<br>Liability as a<br>Percentage of<br>its Covered<br>Employee<br>Payroll | Plan<br>Fiduciary<br>Net Position<br>as a<br>Percentage of<br>the Total<br>Pension<br>Liability |
|--|---|--|---|--|---|
| June 30, 2019                              | 0.0088495%                                      | (938)  | 196,433   | (00.48%)   | 100.09%   |
| June 30, 2018                              | 0.0101351%                                      | (236)  | 205,233   | (00.11%)   | 100.02%   |
| June 30, 2017                              | 0.0078847%                                      | (716)  | 167,033   | (00.43%)   | 100.10%   |
| June 30, 2016                              | 0.0044304%                                      | 14,965   | 84,250  | 17.76%   | 96.89%  |
| June 30, 2015                              | 0.0047187%                                      | (20,013)   | 86,150  | (23.23%)   | 104.10%   |
| June 30, 2014                              | 0.0037218%                                      | (26,814)   | 65,083  | (41.20%)   | 107.30%   |

(1) The amounts presented for each fiscal year were determined as of the Plan Fiduciary's net pension (asset)/liability which is 6/30 of the School's previous fiscal year. Consequently, SDRS June 30, 2019 amounts are used in the School's June 30, 2020 financial statements.

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

ELK MOUNTAIN SCHOOL DISTRICT No. 16-2  
FOR THE SIX YEARS ENDING JUNE 30, 2020

SUPPLEMENTARY INFORMATION

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
TO THE SOUTH DAKOTA RETIREMENT SYSTEM

| School's<br>Year Ended | Contractually<br>Required<br>Contribution | Contributions<br>Related to the<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | School's<br>Covered<br>Employee<br>Payroll<br>for its<br>Fiscal<br>Year End | Contributions<br>as a<br>Percentage of<br>Covered<br>Employee<br>Payroll |
|------------------------|---|--|--|---|--|
| June 30, 2020          | 11,377                                    | 11,377   | 0                                      | 189,617   | 6.00%  |
| June 30, 2019          | 11,786                                    | 11,786   | 0                                      | 196,433   | 6.00%  |
| June 30, 2018          | 12,314                                    | 12,314   | 0                                      | 205,233   | 6.00%  |
| June 30, 2017          | 10,022                                    | 10,022   | 0                                      | 167,033   | 6.00%  |
| June 30, 2016          | 5,055                                     | 5,055  | 0                                      | 84,250  | 6.00%  |
| June 30, 2015          | 5,169                                     | 5,169  | 0                                      | 86,150  | 6.00%  |
| June 30, 2014          | 3,905                                     | 3,905  | 0                                      | 65,083  | 6.00%  |

Note: This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION

Changes of benefit terms:

No significant changes.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent 3rd quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions increased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.

REPORT ON  
COMPLIANCE AND OTHER MATTERS AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board  
Elk Mountain School District No. 16-2  
Elk Mountain, South Dakota

INDEPENDENT AUDITOR'S REPORT

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities, business-type activities and each major fund of the Elk Mountain School District (School District), Custer County, South Dakota, as of June 30, 2020 and for each of the fiscal years in the biennial period then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued my report thereon dated December 7, 2021 which was unmodified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Elk Mountain School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion.

The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I did note minor matters involving compliance that I reported to the governing body and management of the Elk Mountain School District in a separate Letter of Comments dated December 7, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Elk Mountain School District's internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Elk Mountain School District's internal control.

A *deficiency in internal control* exist when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of Elk Mountain School District's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency*, is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Report on Compliance and Other Matters and on Internal Control  
Page Two

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified.

I did identify a deficiency in internal control, described in the accompanying schedule of current audit findings and responses that I consider to be a significant deficiency. I consider the deficiency described in the accompanying schedule of current audit findings and responses as item 2020-01 to be a significant deficiency.

I did note other minor matters involving internal control that I reported to the governing body and management of the Elk Mountain School District in a separate Letter of Comments dated December 7, 2021.

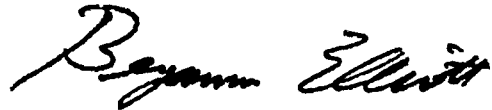
Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of compliance and internal control over financial reporting, and the results of that testing, and not to provide an opinion on the effectiveness of Elk Mountain School District's compliance or internal control over financial reporting. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Elk Mountain School District's compliance and internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

However, as required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.

Independent Audit Services, PC  
Benjamin Elliott, CPA  
Madison, South Dakota

December 7, 2021



SCHEDULE OF PRIOR AUDIT FINDINGS

Prior Federal Compliance Audit Findings: NONE

Prior Other Audit Findings:

2011-02: Preparation of financial statement: Repeated below as 2020-01

SCHEDULE OF CURRENT AUDIT FINDINGS AND RESPONSES

|                                  |   |
|----------------------------------|---|
| Type of auditor's report issued: | Unqualified on:<br>Governmental Activities<br>Business-Type Activities<br>Major Funds |
|----------------------------------|---|

|                |               |
|----------------|---------------|
| Noncompliance: | None Reported |
|----------------|---------------|

|   |                 |
|---|-----------------|
| Internal control over financial reporting:<br>* Significant deficiency(ies) identified<br>that are not considered to be material<br>weaknesses? | Finding 2020-01 |
|---|-----------------|

|                                     |               |
|-------------------------------------|---------------|
| * Material weakness(es) identified? | None Reported |
|-------------------------------------|---------------|

Finding 2020-01: Preparation of Financial Statements  
(internal control)

*Criteria:*

A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

*Condition:*

The School District has elected not to have an internal control system designed to provide for the preparation of the financial statement being audited. As the auditor, I was requested to draft these financial statements and accompanying notes to the financial statements.

*Possible Effect:*

This control deficiency could result in a misstatement of the financial statements that would not be prevented or detected.

*Recommendations:*

This situation is not unusual for an entity of the School District's size. It is the responsibility of management, and those charged with governance, to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

*Response:*

Due to cost constraints, the School District will continue to have the auditor draft the financial statements and accompanying notes to the financial statements.